Denmark was one of the first countries in Europe to implement COVID-19 restrictive measures. As well as the restrictions that have been imposed nationally, the Danish Government, Parliament and organized labour market participants have introduced and are still introducing measures aimed at reducing the adverse economic consequences for Danish businesses of COVID-19 in a variety of areas.

Some measures have already passed through Parliament, whereas others are still at proposal stage. We will discuss both measures passed and measures proposed in this document and have indicated where measures are still in their proposal phase. Under the circumstances, we regard it as highly likely that proposed measures will be implemented substantially in their existing form.

**Areas being addressed:**

1. Providing liquidity through financing schemes
2. Helping employers to protect jobs
3. Business support through provision of grants / compensation schemes
4. Cash-flow support, including tax deferrals
5. Administration, including governance
6. Benefits entitlements

**These aims are primarily being delivered through:**

- The banking system in terms of the financing schemes that have been announced;
- The tax system (extension of payment deadlines etc.);
- Schemes for the direct state compensation of affected businesses for fixed costs, wages and turnover losses.
- Extension of the compensation system for employees on sick leave
**Liquidity and financing**

**State guaranteed loans**

Helps businesses affected by COVID-19 to access bank lending to cover loss of revenue due to COVID-19. Gives a possibility to finance extraordinary needs for liquidity due to the current lockdown.

Two different schemes with different lending conditions for SME's and large businesses.

**Liquidity guarantee and reinsurance for exporters**

Denmark’s Export Credit Agency has launched two initiatives to assist Danish exporters.

One initiative aimed primarily at SME's consists of an 80% guarantee for new credit facilities.

The other consists of a 90% reinsurance on insurance companies' risk position on new exports.

**Cash flow measures**

**Tax deferrals**

Deferral of payment deadlines for VAT, wage withholding tax (“A-tax”), labour market contribution (“AMB”) and on-account tax for the self-employed (“B-tax”). The extended reporting and payment deadlines depend on the company's reporting class for VAT/tax purposes.

It is not possible to pay at the ordinary deadlines (except for “B-tax”), but for companies negatively affected by the postponement due to negative bank deposit rates, a limited possibility to deposit money with the authorities has been introduced.

**Administration**

Extension of deadline for filing financial statements and holding of annual general meetings for certain businesses.

The tax filing deadlines for all tax payers for the income year 2019 have been extended to 1 September 2020.

**Government compensation for costs and turnover loss**

**Business cash grants covering fixed costs**

Helps all businesses that can document a turnover loss of at least 35% or are subject to a direct opening ban, e.g. hairdressers, restaurants, bars etc.

**Other measures**

Compensation for turnover losses (self-employed and freelancers).

Compensation for organizers who cancelled or postponed events of more than 350 participants.

**Employment support**

**Temporary wage funding scheme**

Under this scheme, all Danish employers will be able to access support to continue employing and paying their employee’s full salary - who would otherwise have been laid off. The scheme can be applied retrospectively as of 9 March and is open for three months initially.

**Welfare**

Access to refund of sickness benefits from day one if leave is COVID-19 related (actual sick leave or imposed quarantine based on suspicion/likelihood of contamination)
Liquidity and financing: COVID-19 State guaranteed loans for large businesses

The guarantee scheme allows large companies to obtain state guarantees of 70% for new bank loans from their regular banks to cover loss of revenue due to COVID-19.

The repayment period can be up to 6 years.

The application can be on group or company level.

Who is eligible?
- Danish businesses registered in the Danish Company Register may be eligible for loan secured by a state guarantee issued by the Danish State's investment fund (Vaekstfonden).
- A large business is one with more than 250 employees, or revenue exceeding DKK 372 million and a balance sheet greater than DKK 320 million.
- The following eligibility conditions must be met in order to qualify for the guarantee:
  - The business must document a realized decrease in revenue of at least 30% in a 14 day period within the COVID-19 period, before applying for the guarantee. Documentation may be requested by Vaekstfonden.
  - A loan covering the expected revenue loss in the period 1st of March 2020 through 30th of September 2020, with deduction for grants received from other support packages, can be granted, but cannot be higher than the largest amount of:
    i. 2 x yearly salary costs in the business for 2019
    ii. 25% of the revenue in 2019; or
    iii. The liquidity need according budget for the coming 12 months
- The business must not qualify as a business in difficulties according to the definition in EU regulation.

What does it cover?
- An eligible business will be entitled to a guarantee from the state covering 70% of a loan taken out from a bank or other lender. The loan cannot exceed the expected revenue loss or other limits as shown in first column.
- Repayment period up to 6 years
- Upfront and current guarantee fees must be paid to the state. Fee dependent on credit rating.

How is it accessed?
- The loan is handled by the business' bank on normal market conditions
- The investment fund or the bank may require the submission of an auditors' statement regarding the businesses' expected decrease in revenue or the cash flow budget provided.

Practicalities
- The business has to contact its business bank for a loan.
- Applications for the guarantee must be submitted by the business' banks to Vaekstfonden no later than 15th of October 2020.
- The incentive is open for applications.
- The business can apply more than once.
- Applications are handled within 48 hours at Vaekstfonden.

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Liquidity and financing: COVID-19 State guaranteed loans for SMEs

Who is eligible?
- Danish businesses registered in the Danish Company Register may be eligible for loan with a state guarantee by the Danish State’s investment fund (Vaekstfonden).
- An SME is a business with fewer than 250 employees, or revenue below DKK 372 million and balance sheet less than DKK 320 million.
- The following eligibility conditions must be met in order to qualify for the guarantee:
  - The business has to document a realized decrease in revenue of at least 30% in a 14 day period within the COVID-19 period, before applying for the guarantee. Documentation may be requested by Vaekstfonden.
  - A loan covering the expected revenue loss in the period 1st of March 2020 through 30th of September 2020, with deduction for grants received from other support packages, can be granted, but cannot be higher than the largest amount of:
    1. 2 x yearly salary cost in the business for 2019
    2. 25% of the revenue in 2019 or
    3. The liquidity need according budget for the coming 18 months
- The business must not qualify as a business in difficulties according to the definition in EU regulation.

What does it cover?
- An eligible business will be entitled to a guarantee from the state covering 70% of a loan taken out from a bank or other lender. The loan cannot exceed the expected revenue loss or other limits as shown in first column.
- Repayment period up to 7 years
- Upfront and current guarantee fees must be paid to the state. The guarantee fee amounts to 1%.

How is it accessed?
- The loan is handled by the business bank on normal market conditions
- The investment fund or the bank may require the submission of an auditors’ statement regarding the businesses’ expected decrease in revenue or the cash flow budget provided.

Practicalities
- The business has to contact its business bank for a loan.
- The bank cannot ask for collateral.
- Applications for the guarantee must be submitted by the business’ banks to Vaekstfonden no later than 15th of October 2020.
- The incentive is open for applications.
- The business can apply more than once.
- Applications are handled within 48 hours at Vaekstfonden.

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EKF (Denmark's Export Credit Agency) has launched two initiatives to assist Danish exporters.

#1 Liquidity guarantee

The business has to contact its business bank for a loan.

The bank cannot ask for collateral.

Applications of the guarantee must be submitted by the business’ bank to EKF no later than 15th of October 2020.

The liquidity guarantee incentive is open for applications.

#2 Reinsurance

Under the reinsurance initiative, the EKF will act as a reinsurer for insurance companies. EKF will cover up to 90% of the insurance companies’ risk position on new exports with the aim of enabling Danish exporters to continue to take out insurance needed to conduct their business.

The existing scheme does not cover the OECD area - but discussions between the Danish Government and the European Commission to expand the scope of the initiative are ongoing.

The reinsurance initiative is yet to open.

The reinsurance initiative is yet to open.

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The Danish Parliament has introduced tax measures aimed at reducing the adverse economic consequences of COVID-19. No application needs to be made for the deferral of VAT and payment of wage withholding tax (PAYE tax, known as “A-tax” in Denmark) and labor market contributions.

**VAT payments**

For businesses reporting VAT on a monthly basis, the deadline for VAT reporting and payment is postponed by one month (30 days) for each of the months of March, April and May.

For businesses reporting VAT on a quarterly basis, the deadline for the Q1 VAT reporting and payment is postponed to September 1st 2020.

For businesses reporting VAT on a bi-annual basis, the deadline for the H1 VAT reporting and payment is postponed to March 1st 2021.

**Practical considerations**

- Businesses in a VAT-receivable position can file negative VAT returns immediately after the expiration of the normal reporting period. VAT refunds and reclaims will be paid by the Government as normal.

- The original law did not apply to indirect taxes other than VAT, implying that the deadlines for payment of various excise duties and special payroll tax (SPT) were maintained. However, see slide 10 for the subsequently announced SPT deferrals.

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Cash flow support: Government tax deferrals

Use of the extended payment deadlines for “B-tax” (self-employed) is subject to a choice by each individual taxpayer. If payments are handled by a payment service provider (NETS), direct debits will automatically be cancelled (postponed). However, if payments are done via a regular bank transfer, direct debits must be cancelled (postponed) by the taxpayer.

The measures concerning temporary suspension of the refund limit on the business tax account and advanced payments from the tax credit scheme were introduced by the political agreement reached on 18 April 2020. The Act introducing the measures was passed by the Parliament on 30 April 2020.

**Tax payments**

The payment deadlines for wage withholding tax (“A-tax”) and labor market contribution (“AMB”) for all companies have been extended by four months for the three upcoming monthly payments (April, May and June).

March payments are due without changes, but companies that have not paid March A-tax and AMB due to the COVID-19 disruption may apply to exempt the instalment from late payment interest and fees. Guidance on this is still outstanding.

The payment deadlines for B-tax (self-employed) have been extended for the two upcoming payments (April and May). Payments to be executed in June and December 2020.

Refunds from the R&D tax credit scheme for the 2019 income year have been advanced from November 2020 to June 2020. Application deadline is 15 May 2020. Documentation requirements include the issuance of an auditor’s statement.

**Practical considerations**

- AMB and A-tax must still be reported (but not paid) on a monthly basis.
- The max refund limit on the business tax account has been temporarily increased from DKK 200,000 to 10 million until 7 May 2020. The max refund limit has been further increased to 100 billion (practically suspended) as of 7 May 2020 until 1 April 2021. Businesses with excess liquidity may choose to pay in advance of the postponed deadlines and increase the refund limit to avoid negative interest rates on their bank deposits.
- Self-employed can make amendments to their preliminary income tax statement for 2020 reflecting a decreased income for 2020. New payment forms will automatically be generated.

**For more information**

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Cash flow support: Government tax deferrals and tax based loans

The Danish Parliament has introduced additional tax measures aimed at reducing the adverse economic consequences of COVID-19.

No application needs to be made for the deferral of special payroll tax (SPT; "lønsumsafgift") payable according to method 4.

Interest free loans are offered to businesses settling VAT on a quarterly and bi-annual basis, as well as to VAT exempt businesses settling SPT according to method 4.

The measures were introduced by the political agreement reached on 18 April 2020. The Act introducing the measure was passed by Parliament on 30 April 2020.

Special payroll tax (SPT; in Danish: "lønsumsafgift") payments

For businesses reporting SPT according to method 4 (e.g. dentists, physiotherapists, etc.), the deadline for SPT reporting and payment for the 2nd quarter is postponed from July 15th to September 1st 2020, whereas the deadline for SPT reporting and payment for the 3rd quarter is postponed from October 15th to November 16th 2020.

Practical considerations
- The SPT deferral only applies to businesses comprised by the "method 4" definition, implying that other businesses which pay SPT according to methods 1, 2, or 3 (e.g. financial institutions, associations, and newspapers) need to pay according to the ordinary deadlines.

VAT and SPT based interest free loans

Businesses can apply for an interest free loan equivalent to the VAT paid in connection with the Q4 2019, respectively the H2 2019, reporting. A similar arrangement is not offered to businesses reporting VAT on a monthly basis. Similarly, businesses which report and pay SPT according to method 4 can apply for an interest free loan equivalent to the Q1 2020 reporting (and ¼ of the SPT paid based on the 2019 profits).

Practical considerations
- The interest free loans can be applied for between 5 May and 15 June 2020, and will need to be repaid latest 1 April 2021.
- The application is available online at www.virk.dk. Once the application is filed, a response will be sent to the company (in "TastSelv") within 5 business days.

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The Government’s announcements are not the only ways to manage cash tax. There are other tax related measures, which are not specific to COVID-19, to manage liquidity.

**On-account tax payments**

Companies expecting lower profits in 2020 may apply to lower their on-account tax payments. This can even be done at this time relative to already paid first instalments and may thus contribute to improving liquidity.

**Practical considerations**

After 20 March 2020, applications for lowering the first instalment of the ordinary on-account tax cannot be submitted through the e-tax functionality specific to lowering of on-account tax, but must be submitted for manual review and processing by the tax authorities.

Lowering of the November (second) instalment may be submitted for automatic processing before 20 November 2020.

**VAT**

Look to recover VAT as quickly as possible by streamlining processes or introducing accruals to create immediate cash flow benefits.

**Practical considerations**

Unlocking process and systems limitations can improve ongoing VAT recovery as well as an opportunity to reclaim VAT not recovered in the past.

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Cash flow support: Cash tax management and existing grants

The Government’s announcements are not the only ways to manage cash flow. There are other tax related measures, which are not specific to COVID-19, to manage liquidity.

Grants are cash payments for organizations. Existing grants will continue as usual, and we even see an increase in the funds being channeled to grant schemes. E.g. additionally DKK 350 million for Innovation Fund Denmark, which among others positively affects the Innobooster program targeting startups and SME’s.

Accelerated depreciation and immediate deductions
Consider taking advantage of beneficial tax depreciation/deduction rules wherever possible. Undertaking a thorough cost segregation analysis of the depreciation treatment of fixed assets projects and properties can significantly reduce CIT liability and free up cash.

Research and development tax incentives
Research and development tax incentives can provide significant cash benefits but are often overlooked. Where appropriate, businesses should be optimizing and accelerating the submission of R&D claims in order to receive cash back as soon as possible.

Innovation and sustainability grants
To help co-fund sustainability and innovation projects, businesses should consider grants. This is mainly relevant for the medium term financial planning, where grants can significantly boost an organization’s innovation or sustainability budget.

Practical considerations
All fixed asset expenditure is within scope - new-build, repairs and renovation works may all be eligible. Historic claims are often possible, including for projects completed in periods which are now closed, and can trigger substantial cash backs.

Practical considerations
Research and development tax incentive claims can be reviewed and repayments authorized separately from a company’s overall tax affairs. In many instances historic claims are possible and can trigger substantial cash backs.

Practical considerations
Grants for R&D, sustainability and innovation projects can cover up to 70% of eligible costs. Some schemes can be applied for alone, whereas others require a consortium.

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The COVID-19 grants (Government compensation schemes) are cash payments for businesses.

The compensation for fixed costs scheme is open for application for either a three- or four-month period.

Payment under the scheme is expected to be received a few weeks after the application has been submitted. The application must be supported by an auditor’s statement.

The measure was adjusted by the political agreement reached on 18 April 2020. The announcement introducing the adjusted measure was issued on 5 May 2020.

Grants covering fixed costs

- All businesses may be eligible
  - Businesses must document a decrease in turnover of at least 35% in the compensation period (three or four months re below)
  - If the business incurred losses (after tax) in 2019, the grant is limited according to specific guidelines.
  - Grant amounts to 25-80% of fixed costs depending on the turnover loss incurred in the compensation period compared to a fixed reference period in 2019
    - 80% if revenue loss is 80-100%
    - 50% if revenue loss is 60-80%
    - 25% if revenue loss is 35-60%
  - Grant amounts to 100% if a direct opening ban has been imposed on the business (i.e. restaurants, shopping centers etc.) but only for the period where the ban is in effect. Grant amounts to 25-80% in the remaining period depending of decrease in turnover.
  - The application period may cover a three-month period (9 March to 8 June 2020) or a four-month period (9 March to 9 July 2020).
  - Fixed costs must amount to at least DKK 12,500 for a three-month period. Max compensation will be DKK 110 million or 82,5 million for a four- or three-month period respectively.

Practical considerations

- The compensation may cover a period of either three months (9 March to 8 June 2020) or a four months (9 March to 7 July 2020). Compensation covering the 4th (last) month is optional and can applied for at a later stage.
- Following the expiration of the compensation period, the reported expected turnover loss will be adjusted based on the actual turnover loss. The State may demand repayments accordingly.
- If the compensation granted exceeds DKK 60 million, restrictions will apply on dividend payments etc. for the accounting years 2020 and 2021.
- Applications must be submitted online by the businesses along with required documentation including an auditors’ statement.

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## Compensation: Turnover losses

### Compensation for turnover losses

- **Self-employed**
  - A decrease in turnover of at least 30% must be expected. Further conditions apply.
  - The turnover loss incurred is measured to a fixed reference period in 2019.
  - Grant will amount to 90% (100% if the business is subjected to a direct opening ban) of the expected decrease in turnover, with a maximum of DKK 23,000 per month.
  - Applications must be submitted online along with the required turnover-documentation.

**Smaller privately owned companies** (max 25 employees)
- If ownership exceeds 25% and the owner works in the company, the rules apply correspondingly for the owner.

**Freelancers** (if both A and B income)
- Grant will amount to 90% of the expected decrease in income, with a maximum of DKK 20,000 per month.

### Practical considerations

- Compensation will be provided for the period from 9 March 2020 through 9 July 2020. It is expected that the coverage from 9 June to 9 July will be optional.
- Following the expiration of the compensation period, the actual decrease in turnover must be documented. The state may demand repayments accordingly.
- If the income for the self-employed, owner or exceeds DKK 800,000 in 2020, the State may demand repayment of the compensation granted.
- This incentive is open for application.
- Application deadline is expected to be on 31 August 2020.

### For more information

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The COVID-19 grants (Government compensation schemes) are cash payments for businesses.

The measure was adjusted by the political agreement reached on 18 April 2020. The announcement introducing the adjusted measure has not yet been made publicly available. Consequently, the information on this page is preliminary.
Compensation for organizers of certain events cancelled or postponed due to Covid-19.

Payment under the scheme is expected to be received a few weeks after application.

The measure was adjusted by the political agreement reached on 18 April 2020. The announcement introducing the adjusted measure has not yet been made publicly available. Consequently, the information on this page is preliminary.

Compensation for organizers

- **Eligible organizers and events**
  - Organizers (businesses) who cancelled or postponed public events that were due to be held from 6 March through 31 August 2020 may be entitled to compensation.
  - The event would have held at least 350 participants.
  - “Event” can be one event, or a daily event in a four week period or a regular event (max every other day) for a longer period.
  - Compensation will be provided for direct and indirect expenses based on the deficit of the event.
  - Applications must be submitted online along with a statement of the expenses. If the compensations is above DKK 500,000 (expected limit), an auditors statement is required.

Practical considerations

- The incentive is not open yet for application.

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Who is eligible?
The scheme will be applicable for all private Danish businesses registered in the Danish Business Registry, regardless of size or sector, that are financially stretched as a result of COVID-19, and therefore face either having to notify large redundancies for at least 30% of the total staff or more than 50 employees.

It is a condition that the employer pays the employee the full salary during the period and the employee are not entitled/obligated to work.

The employee must pay 5 days him/herself during this 3 months period – using accrued overtime or holiday. If the employer enforces redundancies (due to lack of work/economy) during the funding period, the funding will cease for all employees on the scheme from the day notice of termination is given and onwards.

The scheme includes both full-time and part-time employees, if the employees have been employed before 9 March 2020.

What does it cover?
The compensation provided will be grants, not loans

The employer is obligated to cover the remaining salary

Employer will be entitled to compensation based on the salary paid to the employee during the compensation period (incl. social security, pension contributions, reasonable commission etc.)

Possible to combine the scheme with agreements to decrease salary

What’s still to come?
There are still details needed as to:

The caps have been raised to 30,000 for both categories of employees. There is speculation of these being raised to DKK 46,000 per month.

A more detailed description of what the employees are allowed to do (e.g. route e-mails to colleagues who are still at work etc.)

Conditions for ‘call back’ of employees during the funding period (as this is permitted to some extent).

Practicalities
The scheme puts certain obligations on the employer; i.e. this scheme cannot for instance be combined with an agreement on certain working time reduction, sending home employees without salary based on collective bargaining agreements etc., it is crucial that the employer assesses whether this scheme is right for the business.

Usual risks and requirements to avoid discrimination in selecting people for furloughing should be taken into consideration and the employers should consider the contractual and employment law position of furloughing their staff. If any employment law agreements are made or any employees are sent home based on this scheme, we recommend this is done in writing.

Rules with regards to burden of proof regarding being financially stretched are not clearly defined yet, however the application and pay-outs are performed on basis of a sworn statement. Not later than six months after the compensation period has ended, further documentation must be provided (expect that an auditor statement will be required).

We expect that a general assessment of whether the employer has received too much/too little compensation will be performed when the final documentation has been provided.

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The compensation amount is capped at 75% of the salary for fulltime white-collar employees (employees covered by the Danish Salaried Employees Act) and 90 % of the salary for fulltime blue-collar employees (employees not covered by the above mentioned law), however in both cases also capped at DKK 30,000 per month.

The scheme has been up and running electronically since 25 March 2020, and the pay out for the first grants commenced 30 March 2020. So far 11,000 businesses have applied for the scheme.

The funding will be in place for four months (9 March 2020 until 8 July 2020).

The employees do not need to accept being part of this scheme.
In addition to the temporary wage funding scheme, Danish employers have a range of different measures to put in place for situations like the present.

Possible alternatives have been briefly described and have generally been applicable in situations before and after COVID-19. In particular, the right to sickness benefit reimbursement and agreements on certain working time reductions have been made more flexible due to the current circumstances.

Working time reduction
The employer may also choose to enter into an agreement with a group of employees (all employees in the group must accept) on certain working time reduction with immediate effect during a period of 13 weeks. No redundancies must take place within this group of employees during the period. The employees may receive reimbursement from an un-employment union - if they are members - up to full time employment at certain rates.

Taking holiday
Accrued holiday and accrued overtime can be forced taken without notice on an individual basis. The employer’s rights in this relation should be assessed on a case-by-case basis.

Temporary work stop without pay
If a collective bargaining agreement includes the right blue-collar employees can be requested not to attend to work with immediate effect - with no payment - having the right to un-employment benefits if member of an un-employment union at a rate of up to DKK 19,000 per month.

Temporary salary reductions
The employer may also try to enter into agreements with the employees in regards to voluntary salary reductions or working time reductions by agreement or force such changed terms and conditions upon the employees by legal notice.

Mass redundancies
Mass redundancies can be performed using the normal notice periods of the employees. Where there are to be redundancies (over a period of 30 days) of exceeding 10 employees in companies with 20-100 employees, 10% in companies with 100-300 employees or 30 people in companies with at least 300 employees, special rules in regards to notification etc. will apply.

Sickness leave
Employers that have employees on sickness leave due to COVID-19 (either infected, or quarantined) will receive sickness benefit reimbursement for wages and sickness benefits as early as the first day when the employee is absent. Payment is made by the municipality based on an application from the employer.

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Restrictive Measures - Immigration and Mobility Implications

Danish borders closed

On 14 March, Denmark closed its borders for all foreign nationals who do not have a “worthy purpose” to enter Denmark. Per the latest updates, this restriction will be in force until 10th of May and may be extended. Many Schengen Area Member States have also banned all non-essential travel into Europe unless for a worth purpose.

Worthy purpose / Who can enter Denmark (note that the below list is not exhaustive)

- Individuals who have residence in Denmark, Greenland or Faroe Islands
- Individuals who need to transit through Denmark to return to their country of residence
- Individuals residing or working in Denmark, including self-employed entrepreneurs performing work in Denmark
- Individuals who hold a valid Danish work permit, including individuals who have not yet utilized their work permit and whose entry is for the purpose of working in Denmark
- Family members of Individuals holding a valid Danish work permit who themselves hold a valid Danish residence permit (having entered into force or not yet utilized) entering Denmark for the purpose of residing here
- Individuals commissioned to deliver goods or services to/in Denmark or to transport goods out of Denmark. This provision includes individuals who, for business purposes, are using a passenger car to transport goods out of Denmark
- Seamen who must disembark or embark in Denmark in connection with a crew change
- Aircraft crew members, diplomats, offshore workers or other groups of persons mentioned in the Schengen Borders Code Annex VII. However, shore leave for seamen (see Schengen Borders Code, Annex VII, point 3) is not considered a worthy purpose

Note that all of the above purposes / reasons for entering Denmark must be documented when entering Denmark. In addition, the Danish Foreign Ministry strongly recommend that all individuals entering Denmark from abroad remain at home for 2 weeks after entry into Denmark.

Who should expect to be denied entry into Denmark?

- Individuals who either hold a valid Schengen visa or are visa exempt to enter Denmark but do not hold a valid Danish work permit (also applies if a work permit application has been filed but not yet granted)
- Individuals who are not able to document that they reside or work (or are to reside and work) in Denmark

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The Danish government has introduced general restrictions in order to limit the spreading of COVID-19. The restrictions are currently applicable until 13 April 2020.

Danish borders are closed.

Gatherings of 10 people and more are prohibited subject to certain limitations.

Educational institutions, schools and daycare institutions are closed.

Employees carrying out non-critical functions in the public sector have been sent home, while private companies have been highly advised to send their employees home as well.

Temporary closure of night clubs, restaurants, cafes, bars, shopping centers.

Most service sectors having close contact with clients are forcibly closed.
Mobility Implications - social security & individual taxation

The COVID-19 measures taken by the Danish government and governments around the world have and will continue to change where people stay and work. Exactly these two things are very decisive when it comes to social security and individual taxation.

The Danish 27% taxation
- Employees who are fully tax liable to Denmark and tax treaty resident in Denmark lose the expat taxation if the salary is taxed in another country for a period of more than 30 days.
- Employees who are limited tax liable to Denmark must work 1-2 days per month in Denmark in order to remain covered by the expat taxation. If the employee step out of the expat taxation he/she may be able to step in to the scheme again when having work days in Denmark again.
- A forced vacation period without pay may result in the minimum salary requirement not being met unless the yearly salary in average fulfill the salary requirement.

“Øresund” tax
- The “Øresund” treaty between Denmark and Sweden operates with a minimum work period of 50% (within a 3 month period) in the employer home country in order to maintain taxation of the full salary in the employer country. This is also applicable when covered by the expat taxation.
- If this is not adhered to, the taxation will go to the employee home country.

The Residency for tax treaty purposes
- The residency may shift to Denmark if employees and their family have a home available in Denmark and stay there for a certain period of time.

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The Danish “Ligningslovens § 33A”
- The rule sets out a maximum stay in Denmark of 42 days within any 6-month period in order to be exempted from Danish (full or half) taxation upon salary for work performed outside Denmark. If the 42-day period is exceeded the exemption does not apply and instead only a credit for foreign taxes may be applicable.
- The use of the rule “ will also be lost if the employee performs work in Denmark which is not strictly connected to the work he/she should have performed abroad.

A Pan EU social security clarification regarding frontier workers and posted workers has been released. It states for a number of scenarios that the social security status should not change due to change of place of stay/work due to the COVID-19 measures.

If the scenarios are not applicable the employer can submit an application and substantiate in this request that it is in the best interest of the employee to remain insured in the Member State where currently covered and it should be accepted.

If an employee works in one EU country and live in another, he/she is entitled to medical treatment in both countries. Some registrations may have to be made.

The Danish and Swedish social security authorities has also with respect to work in the “Øresund” region announced that the COVID-19 measures should not be decisive for a change of social security status.
Governance, contracts and administration

Businesses and their directors must take due care when making decisions and running the business in a situation where the business may be facing financial difficulties due to the COVID-19 outbreak.

Businesses must also have a strategy for handling contracts that are difficult or even impossible to fulfill due to the COVID-19 outbreak or where the contracting party is unable to fulfill its obligations.

Businesses will have to consider the practicality of holding board and annual general meetings and filing the financial statements.

**Director’s duties**

Directors will be making decisions at short notice, against an uncertain background. There are legal exposures relating hereto, both corporate and personal.

Businesses should consider how to protect directors against insolvency-linked liabilities, including taking best practice governance actions to protect against liability and the potential unwinding of transactions. Duties to creditors are especially key.

**Contracts**

The current situation may entail that it is difficult or even impossible for businesses to fulfill its contractual obligations towards e.g. customers, suppliers and other contracting parties.

In such situations the parties often have a common interest in adjusting the contract to the specific situation to continue the working relationship.

And if that is not possible, it is important to know the legal implications of the non-performance, including whether the current situation may constitute a force majeure event.

**Financial statements**

The deadlines for holding annual general meetings and for filing financial statements have been extended for all Danish businesses, whose financial year ends during the period from 31 October 2019 till and including 30 April 2020.

The deadlines are extended by 3 months to the effect that the financial statements must be filed with the Danish Business Authority no later than 8 months after the end of the financial year, however 7 months after the end of the financial year for listed businesses and state-owned public limited companies.

The extension of the deadlines only applies to financial statements that are filed in 2020.

**For more information**

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Our tracker provides a snapshot of the policy changes that have been announced in jurisdictions around the world in response to the COVID-19 crisis.

Policy changes across the globe are being proposed and implemented on a daily basis.

The document will be updated on an ongoing basis but not all entries will necessarily be up to date as the process moves forward.

Key jurisdictions covered by the Response Tracker include:

- Australia
- Austria
- Belgium
- Brazil
- Canada
- China
- Colombia
- Cyprus
- Czech Republic
- Denmark
- France
- Germany
- Greece
- Hong Kong
- Indonesia
- Italy
- Japan
- Luxembourg
- Malaysia
- New Zealand
- Norway
- Puerto Rico
- Singapore
- Slovak Republic
- Slovenia
- South Korea
- Spain
- Sweden
- Taiwan
- Thailand
- Ukraine
- United Kingdom
- United States

To download the latest Response Tracker visit: ey.com/en_us/tax/how-COVID-19-is-causing-governments-to-adopt-economic-stimulus--
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